



THE COMMITTEE ON

WAYS & MEANS

TREASURY REGULATIONS IMPLEMENTING THE 20% PASS-THROUGH BUSINESS DEDUCTION

As part of the Republican overhaul of the nation's tax code, the **Tax Cuts and Jobs Act** delivered significant tax relief to Main Street job creators by offering a first-ever 20 percent deduction for pass-through business income.

This pro-growth provision applies to the first \$315,000 of joint income earned from all businesses organized as S corporations, partnerships, LLCs, and sole proprietorships. It also includes safeguards to ensure that Main Street tax relief goes to the local job creators it was designed to help most.

On August 8, Treasury issued proposed regulations providing guidance on the application of this new pass-through business deduction.

Chairman Brady Statement on Proposed Regulations

"I applaud Treasury for working quickly to implement this important provision of our new pro-growth tax code. This first-ever 20 percent deduction for small businesses allows our local job creators to keep more of their money so they can hire, invest, and grow in their communities."

"These proposed regulations are intended to provide certainty and flexibility for Main Street businesses in this historic new small business deduction. We encourage local businesses to comment on these proposed rules as Congress and the Treasury Department work together to maximize the tax relief and the economic growth of America's new Tax Cuts and Jobs Act."

"Small businesses finally have a tax code that is working for them, and I look forward to continuing our work to ensure our tax code helps all Americans compete and win."

Overview of Proposed Regulations

The proposed regulations provide definitional and computational guidance to businesses on how to apply the 20% deduction for pass-through business income. Key aspects of the proposed regulations include:

- **Simple rules** for small businesses with income below the thresholds of \$315,000 for married couples filing jointly and \$157,000 for single filers, where the pass-through deduction is available without limitation.
- **Flexibility** that allows taxpayers to aggregate their income from different businesses in applying the pass-through deduction. This ensures that businesses get the full benefit of the deduction regardless of how their activities are structured.
- **Clarity** on the computation of the wage and capital limitations that are applicable to mid-sized and larger businesses. This provides certainty to businesses.
- **Definitional guidance** on the exclusion of income from certain services, including de minimis rules that allow businesses with only minimal services activity to fully qualify for the deduction. The deduction is intended to apply to a broad range of businesses
- **Safeguards** to protect against improper use of the deduction. Protections ensure that the deduction goes to the businesses it was designed to benefit.

Comments and Feedback on Proposed Regulations

The regulations are in proposed form, with a 60-day comment period. Comments will be considered and addressed as Treasury develops the final regulations. Encourage your constituents to submit their comments on these important rules.

Do not hesitate to reach out to Ways and Means Committee Members or to the Ways and Means Committee Tax Staff for additional information and to provide your feedback on these regulations implementing the TCJA's pass-through business deduction.

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